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CITY OF BELLFLOWER
SINGLE AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS:

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members of City Council
of the City of Bellflower
Bellflower, California

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellflower (City) as of and for the fiscal year ended June 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Council and management, the State Controller's Office, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, California
December 8, 2008



MOSS, LEVY & HARTZHEIM LLP

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor and Members of City Council
of the City of Bellflower
Bellflower, California

Compliance

We have audited the compliance of the City of Bellflower (City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2008. The City's major federal program is identified in the summary of the auditor's result section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstance. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2008.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellflower as of and for the fiscal year ended June 30, 2008, and have issued our report thereon dated December 8, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City's Council and managements, the State Controller's Office, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, California
December 8, 2008

CITY OF BELLFLOWER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Fiscal Year Ended June 30, 2008

| Federal Grantor/ Pass-Through Grantor | Federal CFDA Number | Agency or Pass-Through Program Number | Federal Expenditures |
|---|---------------------------|--|----------------------------|
| Program Title | | | |
| Department of Transportation | | | |
| Pass-through - State of California Office of Traffic Safety | | | |
| Pedestrian/Bicycle Safety Program | 20.600 | PS 0619 | \$ 13,750 |
| Sobriety Check Point | 20.600 | SCO 71903 | 8,061 |
| Sobriety Check Point | 20.600 | SCO 8034 | 7,546 |
| Total Department of Transportation | | | <u>29,357</u> |
| Department of Housing and Urban Development: | | | |
| Section 108 Loan Guarantees | 14.248 | | 1,083,021 |
| Community Development Block Grant | 14.218 | B 06 MC 060512 | 309,706 |
| Community Development Block Grant | 14.218 | B 07 MC 060512 | 1,398,257 |
| HOME | 14.239 | M 02 MC 060547 | 64,711 |
| HOME | 14.239 | M 04 MC 060547 | 636,038 |
| HOME | 14.239 | M 05 MC 060547 | 626,582 |
| HOME | 14.239 | M 06 MC 060547 | 384,449 |
| Total Department of Housing and Urban Development | | | <u>4,502,764</u> |
| Department of Justice: | | | |
| Local Law Enforcement Block Grant | 16.592 | 2007 DJBX 0194 | 53,140 |
| Total Department of Justice | | | <u>53,140</u> |
| Department of Homeland Security | | | |
| Pass-through - City of Long Beach, CA | | | |
| Urban Areas Security Initiative Grant | 97.008 | USAI'05 | 5,550 |
| Total Department of Homeland Security | | | <u>5,550</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u><u>\$ 4,590,811</u></u> |

See notes to the schedule of expenditures of federal awards

CITY OF BELLFLOWER
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2008

1. REPORTING ENTITY

The financial reporting entity consists of (a) the primary government, City of Bellflower (City), and (b) component units which include organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units of the City are:

- Bellflower Community Redevelopment Agency
- Bellflower Public Facilities Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Funds received under the various grant programs have been recorded within special revenue and capital projects funds of the City. The City utilizes the modified accrual method of accounting for the special revenue and capital project funds. The accompanying Schedule of Expenditures of Federal Awards (Schedule) has been prepared accordingly.

Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activity of all federal financial assistance programs of the City. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through from the State of California, the County of Los Angeles, and City of Long Beach are also included in the schedule.

The Schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

3. PROGRAM DESCRIPTIONS

Department of Transportation

Pedestrian/Bicycle Safety Program

The objective of the Pedestrian and Bicycle Safety program is to aid public agencies in funding cost-effective projects that improve pedestrian and bicycle safety through engineering, education, and enforcement. Eligible projects may include engineering improvements, education programs, and enforcement efforts.

Sobriety Check Point Program

The objectives of the Sobriety Check Point Program are to maximize the deterrent effect and increase the perception of "risk of apprehension" of motorists who would operate a vehicle while impaired by alcohol or drugs.

CITY OF BELLFLOWER
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2008

3. PROGRAM DESCRIPTIONS (Continued)

Department of Housing and Urban Development

Section 108 Loan Guarantees

The objectives of the Section 108 Loan Guarantees are to provide communities with a source of financing for economic development, housing rehabilitation, public facilities, and large scale physical development projects.

Community Development Block Grant (CDBG)

The Community Development Block Grant (CDBG) Program was authorized under Title I of the Housing and Community Development Act of 1974. The primary objective of the CDBG Program is the development of viable urban communities, including adequate housing, a suitable living environment, and expansion of economic opportunities, principally for persons of low to moderate income. Under this program, the Department of Housing and Urban Development (HUD) distributes funds based upon approved applications to eligible local governmental units for the purpose of community improvement and betterment. The City uses CDBG funds to finance a comprehensive home improvement program that assists low and moderate-income residents through low interest subsidies and deferred loans.

Home Investment Partnerships Program (HOME)

The objectives of the Home Investment Partnerships Program include: expanding the supply of decent and affordable housing, particularly housing for low and very low-income Americans; strengthening the abilities of state and local governments to design and implement strategies for achieving adequate supplies of decent, affordable housing; providing financial and technical assistance to participating jurisdictions, including the development of model programs for affordable low-income housing; and extending and strengthening partnerships among all levels of government and the private sector, including for-profit and non-profit organizations, in the production and operation of affordable housing.

Department of Justice

Local Law Enforcement Block Grant

The objective of the Local Law Enforcement Block Grant is to provide funds to units of local government for the purposes of reducing crime and improving public safety. Funds may be used for one or more of seven program purpose areas. Funds or a portion of funds allocated under this title may also be used to contract with private, nonprofit entities or community-based organizations to carry out the purposes of this Block Grants Program. The Bureau of Justice Assistance will also make awards to states based on the allocation formula specified in the legislation.

CITY OF BELLFLOWER
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2008

3. PROGRAM DESCRIPTIONS (Continued)

Department of Homeland Security

Urban Areas Security Initiative Grant

The purpose of the Urban Areas Security Initiative Grant is to provide funds to be used for assessments and security strategies, unique equipment, training, planning, exercise and operational needs as well as for the building of an enhanced and sustainable capacity to prevent, respond to, and recover from threats or acts of terrorism.

**CITY OF BELLFLOWER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2008**

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued

Unqualified

Internal control over financial reporting:

Material weakness (es) identified?

_____ Yes X No

Significant deficiency (ies) identified not considered
to be material weaknesses?

_____ Yes X None Reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness (es) identified?

_____ Yes X No

Significant deficiency (ies) identified not considered
to be material weaknesses?

_____ Yes X None Reported

Type of auditor's report issued on compliance for
major programs:

Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Circular A-133,
Section 510 (a)

_____ Yes X No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.239

HOME

Dollar threshold used to distinguish between Type A
And Type B programs:

\$300,000

Auditee qualified as low-risk auditee:

 X Yes _____ No

CITY OF BELLFLOWER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2008

SECTION II - FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

CITY OF BELLFLOWER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2008

SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM

NONE

CITY OF BELLFLOWER
STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2008

NONE